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UNCLAS OTTAWA 001020

SIPDIS

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DOE FOR INT'L AND POLICY, IE-141 (DEUTSCH) AND BPA (ATKINS)

EPA FOR OFFICE OF THE ADMINISTRATOR, INTERNATIONAL AFFAIRS
AND BRIAN MCLEAN

E.O. 12958: N/A

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SUBJECT: VEHICLE GREENHOUSE GAS EMISSIONS:
CANADA UNVEILS VOLUNTARY DEAL WITH AUTO MAKERS

REF: OTTAWA 824

1. AS ANTICIPATED (REFTEL), ON APRIL 5 THE GOC AND REPRESENTATIVES OF NINETEEN AUTOMOTIVE COMPANIES ANNOUNCED A MEMORANDUM OF UNDERSTANDING (MOU) UNDER WHICH THE COMPANIES PLEDGE TO REDUCE GREENHOUSE GAS EMISSIONS FROM NEW CARS. THE TARGET IS TO CUT EMISSIONS FROM THE CANADIAN VEHICLE FLEET BY 5.3 MEGATONNES BY 2010, OR ROUGHLY A 25 PERCENT CUT FROM THE "BUSINESS-AS-USUAL" SCENARIO.

2. THE MOU AND RELATED DOCUMENTS ARE AVAILABLE ON THE NATURAL RESOURCES CANADA WEBSITE AT NRCAN-RNCAN.GC.CA. ANNEX 3 PROVIDES A LONG LIST OF POTENTIAL TECHNOLOGY IMPROVEMENTS WHICH COULD CONTRIBUTE TO THE REDUCTIONS, INCLUDING: TRANSMISSION IMPROVEMENTS (INCLUDING MORE AND HIGHER GEARS), ENGINE FEATURES (DEACTIVATION OF SOME CYLINDERS UNDER CERTAIN OPERATING CONDITIONS), MANY VALVE CONTROL FEATURES, REDUCED INTERNAL FRICTION, LIGHTER VEHICLE WEIGHT, BETTER AERODYNAMICS, MORE HYBRID AND PERHAPS HYDROGEN TECHNOLOGIES, AND OTHER ALTERNATIVE FUELS.

3. REFTEL PLACES THIS AGREEMENT IN THE CONTEXT OF CANADIAN CLIMATE CHANGE POLICY. THE 5.3 MEGATONNE CUT IS WELL UNDER ONE PERCENT OF CANADA'S TOTAL EMISSIONS, AND A FRACTION OF WHAT THE GOC HOPES TO NEGOTIATE FROM LARGE FINAL EMITTERS (LFE'S - MAINLY IN THE ENERGY, MINING, METALS AND FOREST PRODUCTS INDUSTRIES). FOR AUTOMAKERS, THE ALTERNATIVE TO THIS "VOLUNTARY" DEAL WAS MANDATORY EMISSIONS LIMITS IMPOSED BY GOVERNMENT REGULATION. MEDIA REPORTS IN BOTH THE UNITED STATES AND CANADA HAVE NOTED THAT THIS WOULD BE SIMILAR TO THE APPROACH PROPOSED BY THE STATE OF CALIFORNIA (THOUGH AUTOMAKERS HAVE RAISED A LEGAL CHALLENGE TO THE STATE'S JURISDICTIONAL AUTHORITY TO REGULATE EMISSIONS). HAVING AGREED TO REDUCE GREENHOUSE GAS EMISSIONS FROM THEIR CANADIAN VEHICLES REDUCES THE INDUSTRY'S ABILITY TO RESIST DOING THE SAME IN U.S. MARKETS - AS SOME U.S. ENVIRONMENTALISTS HAVE ALREADY POINTED OUT.

4. ACCORDING TO THE MOU, A JOINT INDUSTRY-GOVERNMENT MONITORING COMMITTEE WILL REPORT ANNUALLY ON PROGRESS TOWARD THE TARGETED REDUCTIONS. THE 5.3 MEGATONNE REDUCTION TARGET IS BASED ON A "BUSINESS-AS-USUAL" ESTIMATE FOR 2010 EMISSIONS, WHICH WAS ORIGINALLY DETERMINED IN 1999. ANNEX 2 OF THE MOU ALLOWS FOR THIS "REFERENCE CASE" TO BE ADJUSTED BASED ON "FACTORS OUTSIDE THE INDUSTRY'S CONTROL." IT BEARS NOTING THAT THIS ENSURES THE GOC CAN AVOID THE POTENTIAL EMBARRASSMENT OF SEEING THE INDUSTRY MISS ITS TARGET.

DICKSON